



**Auditor of State
Betty Montgomery**

MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Milan-Berlin Township Public Library
Erie County
19 E. Church Street
P.O. Box 1550
Milan, Ohio 44846-1550

To the Board of Trustees:

We have audited the accompanying financial statements of the Milan-Berlin Township Public Library, Erie County, (the Library) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Library as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2003 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Milan-Berlin Township Public Library
Erie County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 7, 2003

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**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types	
	General	Capital Projects
Cash Receipts:		
Property and Other Local Taxes	\$140,939	
Other Government Grants-In-Aid	419,306	
Patron Fines and Fees	16,405	
Earnings on Investments	11,971	
Services Provided to Other Entities	1,702	
Contributions, Gifts and Donations		
Miscellaneous Receipts	401	
	590,724	
Total Cash Receipts	590,724	
Cash Disbursements:		
Current:		
Salaries and Benefits	304,928	
Supplies	19,431	
Purchased and Contracted Services	69,898	
Library Materials and Information	169,755	
Other Objects	5,708	
Capital Outlay	43,751	
	613,471	
Total Cash Disbursements	613,471	
Total Cash Receipts Over/(Under) Cash Disbursements	(22,747)	
Other Financing Disbursements:		
Other Financing Uses		
Total Other Financing Disbursements		
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,747)	
Fund Cash Balances, January 1	221,215	\$368,393
Fund Cash Balances, December 31	\$198,468	\$368,393
Reserves for Encumbrances, December 31	\$46,331	

The notes to the financial statements are an integral part of this statement.

<u>Fiduciary Fund Types</u>		<u>Totals</u>
<u>Expendable</u>	<u>Nonexpendable</u>	<u>(Memorandum</u>
<u>Trust</u>	<u>Trust</u>	<u>Only)</u>
		\$140,939
		419,306
		16,405
\$87,908	\$101	99,980
		1,702
4,728		4,728
		401
<u>92,636</u>	<u>101</u>	<u>683,461</u>
		304,928
		19,431
		69,898
3,124		172,879
		5,708
967		44,718
<u>4,091</u>		<u>617,562</u>
<u>88,545</u>	<u>101</u>	<u>65,899</u>
<u>(9,645)</u>		<u>(9,645)</u>
<u>(9,645)</u>		<u>(9,645)</u>
78,900	101	56,254
<u>1,861,583</u>	<u>20,835</u>	<u>2,472,026</u>
<u>\$1,940,483</u>	<u>\$20,936</u>	<u>\$2,528,280</u>
<u>\$40</u>		<u>\$46,371</u>

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types	
	General	Capital Projects
Cash Receipts:		
Property and Other Local Taxes	\$131,217	
Other Government Grants-In-Aid	455,457	
Patron Fines and Fees	14,537	
Earnings on Investments	20,650	
Services Provided to Other Entities	1,954	
Contributions, Gifts and Donations		
Miscellaneous Receipts	614	
	624,429	
Total Cash Receipts	624,429	
Cash Disbursements:		
Current:		
Salaries and Benefits	293,993	
Supplies	16,818	
Purchased and Contracted Services	60,553	
Library Materials and Information	154,650	
Other Objects	4,758	
Capital Outlay	44,333	
	575,105	
Total Cash Disbursements	575,105	
Total Cash Receipts Over/(Under) Cash Disbursements	49,324	
Other Financing Receipts/(Disbursements):		
Transfers-In		50,000
Transfers-Out	(50,000)	
	(50,000)	50,000
Total Other Financing Receipts/(Disbursements)	(50,000)	50,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(676)	50,000
Fund Cash Balances, January 1	221,891	318,393
Fund Cash Balances, December 31	\$221,215	\$368,393
Reserves for Encumbrances, December 31	\$35,435	

The notes to the financial statements are an integral part of this statement.

<u>Fiduciary Fund Types</u>		<u>Totals</u>
<u>Expendable</u>	<u>Nonexpendable</u>	<u>(Memorandum</u>
<u>Trust</u>	<u>Trust</u>	<u>Only)</u>
		\$131,217
		455,457
		14,537
\$117,265	\$1,483	139,398
		1,954
3,747		3,747
		614
<u>121,012</u>	<u>1,483</u>	<u>746,924</u>
		293,993
		16,818
		60,553
1,776	3,941	160,367
		4,758
<u>14,320</u>		<u>58,653</u>
<u>16,096</u>	<u>3,941</u>	<u>595,142</u>
<u>104,916</u>	<u>(2,458)</u>	<u>151,782</u>
		50,000
		(50,000)
104,916	(2,458)	151,782
<u>1,756,667</u>	<u>23,293</u>	<u>2,320,244</u>
<u>\$1,861,583</u>	<u>\$20,835</u>	<u>\$2,472,026</u>
		<u>\$35,435</u>

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**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Milan-Berlin Township Public Library, Erie County, (the Library) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees appointed by the Berlin-Milan Board of Education. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in mutual funds, including STAR Ohio (the State Treasurer's investment pool) are valued at amounts reported by the mutual fund. Corporate equity securities and repurchase agreements are valued at cost.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Library had the following significant capital project fund:

Building and Repair Fund - This fund receives excess tax revenues from the General Fund to be used for construction and repair of the Library's two branch buildings.

3. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Library had the following significant fiduciary funds:

Williams Fund - This fund was set up as a bequest given to the Library to be used for Library purposes.

Harley Brownell Gibbs Trust - This fund was set up as a bequest given to the Library to be used for Library purposes.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

	2002	2001
Demand deposits	\$6,012	(\$2,076)
Certificates of deposit	615,182	586,751
Total deposits	621,194	584,675
STAR Ohio	810,949	844,564
Repurchase agreement	208,023	145,028
U.S. Treasury Bond Mutual Fund	330,000	329,656
Money Market Mutual Fund	63,848	10,855
Equity Securities	494,266	557,248
Total investments	1,907,086	1,887,351
Total deposits and investments	\$2,528,280	\$2,472,026

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

Equity securities are held in book entry form by a financial institution's trust department in the Library's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$835,835	\$659,802	\$176,033
Capital Projects	367,000		367,000
Fiduciary	751,350	13,776	737,574
Total	\$1,954,185	\$673,578	\$1,280,607

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$841,642	\$660,540	\$181,102
Capital Projects	317,000		317,000
Fiduciary	699,450	20,037	679,413
Total	\$1,858,092	\$680,577	\$1,177,515

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Governments Grants In Aid. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

5. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2002.

**MILAN-BERLIN TOWNSHIP PUBLIC LIBRARY
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Milan-Berlin Township Public Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Milan-Berlin Township Public Library
Erie County
19 E. Church Street
P.O. Box 1550
Milan, Ohio 44846-1550

To the Board of Trustees:

We have audited the accompanying financial statements of the Milan-Berlin Township Public Library, Erie County, (the Library) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 7, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Library in a separate letter dated August 7, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Library in a separate letter dated August 7, 2003.

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Milan-Berlin Township Public Library
Erie County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 7, 2003



**Auditor of State
Betty Montgomery**

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MILAN - BERLIN TOWNSHIP PUBLIC LIBRARY

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2003**